

## CHAPTER 2

### CHARTING A NEW STRATEGIC COURSE

The challenges and opportunities of the new security environment, as well as the demands of the war against terrorism, required that the Department chart a new strategic course. During the past decade, the Department made some modifications in the U.S. defense strategy and force structure. However, they involved only marginal changes in the strategy and called for a similar but smaller version of the Armed Forces of the Cold War. During the past year, the Department has reformulated U.S. defense policy goals, defined a new set of tenets that comprise the new defense strategy, and created a new framework for managing risks.

#### *Defense Policy Goals*

The Department of Defense has developed a new strategic framework to defend the nation and secure a viable peace. This framework is built around four defense policy goals:

- Assuring allies and friends;
- Dissuading future military competition;
- Deterring threats and coercion against U.S. interests; and
- If deterrence fails, decisively defeating any adversary.

***Assuring Allies and Friends.*** The presence of American forces overseas is a clear symbol of the U.S. commitment to its allies and friends and to global stability. The U.S. military presence plays a critical role in assuring allies and friends that the nation will honor its obligations and will continue to be a reliable security partner. Through its willingness to use force in its own defense, defend others and advance common goals, the United States demonstrates its resolve, steadiness of purpose, and the credibility of the U.S. military to meet the nation's commitments and responsibilities. Toward these ends the Department of Defense, in conjunction with the Department of State, promotes security cooperation with allies and friendly nations. A primary objective of U.S. security cooperation is to help allies and friends create favorable balances of power in critical areas of the world

to deter aggression or coercion. Security cooperation serves as an important means for linking DoD's strategic direction with those of U.S. allies and friends.

***Dissuading Future Military Competition.*** Through its strategy and actions, the U.S. has an influence on the nature of future military competitions. U.S. decisions can channel threats in certain directions and complicate military planning for potential adversaries in the future. Well-targeted strategy and policy can therefore help to dissuade other countries from initiating future military competitions. The U.S. exerts influence through the conduct of its research, development, test, and demonstration programs and by maintaining or enhancing advantages in key military capabilities. Given the availability of advanced technology and systems to potential adversaries, dissuasion also requires the U.S. to experiment with revolutionary operational concepts, capabilities, and organizational arrangements and to encourage the development of a culture within the military that embraces innovation and risk-taking. To have a dissuasive effect, this combination of technical, experimental, and operational activity has to have a clear strategic focus. DoD is developing new processes and organizations to provide this focus and has provided the six operational goals to guide transformation efforts.

***Deterring Threats and Coercion Against U.S. Interests.*** A multifaceted approach to deterrence requires forces and capabilities that provide the President with a wide range of options to discourage aggression or any form of coercion. In particular, it places emphasis on peacetime forward deterrence in critical areas of the world. It requires enhancing the offensive and defensive capacity of forward deployed and stationed forces, coupled with global intelligence, strike, and information assets, in order to deter aggression or coercion with only modest reinforcement from outside the theater. Improving intelligence capabilities is vital to collect information regarding the intentions, plans, strengths, weaknesses, and disposition of key assets of actual or potential adversaries. Deterrence also requires non-nuclear forces that can strike with precision at fixed and mobile targets throughout the depth of an adversary's territory, active and passive defenses, and rapidly deployable and sustainable forces that can swiftly defeat any adversary.

***If Deterrence Fails, Decisively Defeat Any Adversary.*** U.S. forces must maintain the capability to support treaty obligations and defeat the efforts of adversaries to impose their will on the United States, its allies, or friends. U.S. forces must maintain the capability, at the direction of the President, to impose the will of the United States and its coalition partners on any adversaries, including states or non-state entities. Such a decisive defeat could include changing the regime of an adversary-state or occupation of foreign territory until U.S. strategic objectives are met.

### ***Strategic Tenets***

These defense policy goals are supported by an interconnected set of strategic tenets.

***Managing Risks.*** The U.S. faces a world in which change occurs with ever-increasing speed. New challenges are constantly emerging, while longstanding threats endure. DoD must prepare for future challenges over time, while meeting extant threats at any given time. The tension between preparations for the future and the demands of the present requires the United States to balance the risks associated with each. Because resources are always finite, hard choices must be made to take into account a wider range of risks than was necessary in the past. Some of these risks are familiar, such as the possibility of a major war. Other risks, such as the possibilities of mass casualty terrorism, cyber warfare, or nuclear, biological, and chemical weapons, are less well understood.

The 2001 Quadrennial Defense Review elaborated, for the first time, a new risk management framework comprised of force management risk, operational risk, future challenges risk, and institutional risk to support the defense strategy.

***A Capabilities-Based Approach.*** The new U.S. defense strategy is built around the concept of shifting to a “capabilities-based” approach to defense. That concept reflects the fact that the U.S. cannot know with confidence what nation, combination of nations, or non-state actors will pose threats to vital U.S. interests or those of our allies and friends decades from now. It is possible, however, to anticipate the capabilities that an adversary might employ to coerce its neighbors, deter the U.S. from acting

in defense of its allies and friends, or directly attack the U.S. or its deployed forces. A capabilities-based model—one that focuses more on how an adversary might fight than on whom the adversary might be and where a war might occur—broadens the strategic perspective. It requires identifying capabilities that U.S. military forces will need to deter and defeat adversaries who will rely on surprise, deception, and asymmetric warfare to achieve their objectives. Because such adversaries are looking for U.S. military vulnerabilities and building capabilities to exploit them, the Department is shoring up potential weak spots (e.g., by strengthening our information protection capabilities and developing countermeasures to anti-access threats) to close off such avenues of attack.

***Defending the United States and Projecting U.S. Military Power.***

Defending the nation from attack is the first priority of the new U.S. defense strategy. As the events of September 11 demonstrated, potential adversaries will seek to threaten the centers of gravity of the United States, its allies, and its friends. As the U.S. military has increased its ability to project power at long range, adversaries have noted the relative vulnerability of the U.S. homeland. Adversaries are placing greater emphasis on the development of capabilities to threaten the United States directly in order to counter U.S. operational advantages. The new U.S. defense strategy restores the emphasis once placed on defending the United States and its land, sea, air, and space approaches. It is essential to safeguard the nation's way of life, its political institutions, and the source of its capacity to project decisive military power overseas. In turn, the ability to project power at long ranges is essential to deter threats to the United States and, when necessary, to disrupt, deny, or destroy hostile entities at a distance. As the President said, "We are protected from attack only by vigorous action abroad, and increased vigilance at home." To preserve peace at home, the United States must be prepared both to project power abroad and to defend against attacks on the homeland.

***Strengthening Alliances and Partnerships.*** America's alliances and security relations give assurance to U.S. allies and friends and pause to U.S. foes. These relationships create a community of nations committed to common purposes. The defense strategy calls for efforts to strengthen America's alliances and partnerships and to develop new forms of security cooperation. The American commitment to these security arrangements

bolsters the security of U.S. allies and friends. Likewise, as witnessed in the wake of the events of September 11, NATO's invocation of Article V demonstrates the commitment of America's partners to collective defense, which bolsters the security of the United States. These mutually reinforcing security relationships underpin the political stability on which the prosperity of civilized nations is built. And these arrangements are based on the recognition that a nation can be safe at home only if it is willing and able to contribute to effective security partnerships and arrangements abroad.

The need to strengthen alliances and partnerships mandates a new approach to security cooperation. Security cooperation must be more agile and adaptable, helping not only to enable a sustained, multilateral campaign against international terrorism, but also to posture the United States, allies, and friends to respond effectively to surprises when they occur. U.S. forces must train and operate with allies and friends in peacetime as they would operate in war. This includes enhancing interoperability and peacetime preparations for coalition operations, as well as increasing allied participation in activities such as joint and combined training and experimentation. Particularly critical in this regard are enhanced, secure, responsive, and interoperable command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) systems.

***Enhancing U.S. Global Military Posture.*** The global U.S. military posture must be reoriented for a new strategic environment in which U.S. interests are global and new challenges, particularly anti-access and area-denial threats, are emerging. The U.S. military will develop an enhanced forward deterrent posture through the integration of new combinations of immediately employable forward stationed and deployed forces; globally available reconnaissance, strike, and command and control assets; information operations capabilities; and rapidly deployable, highly lethal and sustainable forces that may come from outside a theater of operations. Over time, this reoriented global posture will render forward forces capable of swiftly defeating an adversary's military and political objectives with only modest reinforcement.

The defense strategy places emphasis on maintaining favorable military balances in critical geographic areas. By maintaining such balances, the

United States can secure peace, extend freedom, and assure its allies and friends. It can impose high costs on decisions by potential adversaries to pursue dangerous forms of military competition. Finally, it may convince potential adversaries that the benefits of hostile acts against the interests of the United States and its allies and friends are far outweighed by their costs and consequences.

***Developing a Broad Portfolio of Military Capabilities.*** Creating substantial margins of advantage across key functional areas of military competition, such as power projection, space, and information, will require developing and sustaining a portfolio of key military capabilities to prevail over current challenges and to hedge against and counter future threats. Building upon the current superiority of U.S. conventional forces, this portfolio will include capabilities for conducting information operations, ensuring U.S. access to distant theaters, defending against threats to the United States and allied territory, and protecting U.S. assets in space. It will also require exploiting U.S. advantages in superior technological innovation, unmatched space and intelligence capabilities, sophisticated military training, and an ability to integrate highly distributed military forces in synergistic combinations to conduct highly complex joint military operations.

***Transforming Defense.*** Finally, the defense strategy calls for the transformation of the U.S. defense establishment over time. Transformation is at the heart of the new strategy. It includes new technologies, but goes well beyond. To transform the Department, we will need to change the culture of the institution in important areas. We must think and act in a world that changes too rapidly for the archaic budgeting, acquisition, personnel, and management systems in place today. Without change, the current defense program will only become more expensive to maintain over time, and we will forfeit many of the opportunities available to the United States today.

### ***New Framework for Managing Risks***

One of the new strategic tenets—managing risks—is particularly central to the Department’s new way of thinking about defense. In an enterprise as complex as the Department of Defense, it is essential to create a framework to manage responses to the different sources of risk—that is, the issues and

factors that can undermine the ability of the organization to achieve the goals of defense policy. The success or failure of U.S. forces depends on the quality of the men and women who serve in uniform, their training and equipment, the readiness to meet near-term operational challenges, the investment of resources to develop capabilities for the future, the institutional processes of the Department, and many other factors. Unless the Department has a framework to allocate resources and effort against these risks in a systematic way, it will most certainly over-invest in measures to stem certain risks while paying inadequate attention to others. The goal of a risk management framework should be to guide the investment of defense dollars to create a balanced portfolio of risks.

During the past year, the Department has developed a new risk management framework. It is based on the view that there are four categories of risk that affect the ability of the United States to achieve its defense policy goals:

- ***Force management risk*** results from issues affecting the ability to recruit, retain, train, and equip sufficient numbers of quality personnel and sustain the readiness of the force while accomplishing its many operational tasks.
- ***Operational risk*** stems from factors shaping the ability to achieve military objectives in a near-term conflict or other contingency.
- ***Future challenges risk*** derives from issues affecting the ability to invest in new capabilities and develop new operational concepts needed to dissuade or defeat mid- to long-term military challenges.
- ***Institutional risk*** results from factors affecting the ability to develop management practices and controls that use resources efficiently and promote the effective operation of the Defense establishment.

Because a failure to address any one of these sources of risk could imperil U.S. capabilities, the Department must work to address each and every one. Previously, however, incremental budget and policy choices produced the Department's portfolio of risks across these categories. The Department's way of operating tended to over-invest in countering near-term operational

risks, while under-investing in the other categories. This new framework is designed to give the Department a way to consider tradeoffs in allocating limited resources among fundamental objectives. The Department of Defense must strive to consciously allocate resources and structure programs to create a portfolio of risks that is balanced appropriately for the many challenges we face.

In a sense, the risk management framework is the driver that enables the Department to fulfill its other strategic tenets. It provides a system to ensure that sufficient attention and resources are put against the needs of maintaining a capable and ready force, the requirements of near-term operations and contingencies, the demands of transforming the Armed Forces for the future, and the imperatives to streamline and modernize internal processes in the Department. Because this new way of thinking is at the core of the Department's new strategic course, the section of the Annual Report to Congress on current programs and plans has been structured in terms of the new framework for risk management.